

## **VII. PROJECT START- UP AND MANAGEMENT**

### **A. AMOUNT OF GRANT AWARD**

While grant ceilings establish the maximum amounts that may be requested, individual grants will be awarded only in amounts appropriate to the scope of the identified problem, the proposed project activities, and the needs, resources and administrative capacity of the applicant. Tentative amounts greater or less than the amount originally requested may be awarded, at the discretion of MDOC.

**MDOC will not grant additional funds to pay for project costs that exceed the contract grant award.** In the event a project can be completed for less than the grant amount, the difference between actual project costs and the original grant award will be reallocated by MDOC for unfunded or inadequately funded projects or added to the following fiscal year's CDBG allocation for grant awards.

In certain circumstances excess funds may be used for an eligible activity that further enhances the contracted project. Before MDOC makes a determination to allow the additional activity, the grantee must demonstrate that the activity will clearly enhance the overall impact of the original project, provide adequate benefits to low and moderate income persons, be completed in a timely manner, and be able to be completed with the excess funds. The grantee must have also demonstrated satisfactory progress toward completion of the original contracted project activities.

### **B. PROJECT START-UP REQUIREMENTS**

Within four months of the date of the announcement of the tentative grant award by the Montana MDOC, each applicant selected for CDBG funding must execute a grant contract with MDOC. By July, 2007, each applicant selected for CDBG funding must:

1. Comply with all applicable State and federal requirements for project start-up.
2. Establish with MDOC a mechanism for transfer of CDBG funds to the grantee.
3. Conduct a formal review of potential environmental impacts.
4. Submit an acceptable management plan and schedule for local CDBG project administration and implementation.
5. Fulfill other appropriate contract terms established by MDOC.

**If an applicant that has been tentatively selected for grant award is unable to comply with these requirements for project start-up and cannot demonstrate the existence of unusual or extenuating circumstances that would justify an extension of time, the tentative award will be withdrawn and the funds reallocated.** In any case where CDBG funds must be re-allocated, the applicant would be encouraged to re-apply for the next grant competition.

**No applicant who has been tentatively selected for CDBG funding may obligate or incur costs for CDBG funds until specifically authorized in writing by MDOC. Funds obligated or expenses incurred without proper authorization will be the responsibility of the**

**grantee and cannot be reimbursed by CDBG funds at a later date.** Incurring costs includes actions such as hiring staff or entering into a contract for engineering or management services or for acquisition of land.

### C. GRANT CONTRACT

After an application is tentatively selected for funding, a grant contract will be prepared. The grant contract is the legal document that governs the administration of the grant and includes the following items:

1. The amount of CDBG funds to be provided.
2. A detailed budget for the CDBG funds and any other funds involved in the project.
3. The schedule for implementation of project activities and the scope of work to be completed.
4. The general and special terms and conditions associated with the grant.

The application as approved and the representations included in it will become part of the grant contract. No CDBG funds will be released to the grantee until a grant contract is fully executed and all project start-up requirements are fulfilled.

### D. COMPLIANCE WITH STATE AND FEDERAL REQUIREMENTS

It is the responsibility of all CDBG grantees to comply with all applicable federal and State laws, executive orders, and regulations affecting their projects. MDOC will conduct a project administration workshop to familiarize local officials of the recipient communities with these requirements. Participation is mandatory. A copy of the most current version of the CDBG Grant Administration Manual is available at the following website:

**[http://comdev.mt.gov/CDD\\_CDBG\\_GA.asp](http://comdev.mt.gov/CDD_CDBG_GA.asp)**

In addition to environmental, procurement, and labor requirements, CDBG grantees should keep in mind that federal civil rights requirements will apply to their projects. CDBG funded projects must be designed to ensure equal opportunity and access to all benefits associated with the funded housing or public facility activity. The grantee must design its program in compliance with federal and state civil rights requirements in five general areas:

1. ***Program Benefit:*** CDBG recipients must use administrative methods designed to ensure nondiscrimination in project activities.
2. ***Grantee Employment:*** Employment procedures in relation to project activities must comply with the CDBG recipient's affirmative action plan to extend employment opportunities to minorities and women.
3. ***Contractor Affirmative Action:*** Employment by contractors and subcontractors must include affirmative actions taken to employ minorities and women.
4. ***Fair Housing:*** Project activities must be administered to affirmatively further housing availability and to prevent discrimination in federally assisted housing.

5. ***Accessibility for the Disabled:*** All programs and activities assisted through CDBG in the project must be accessible to disabled persons.

#### **E. COMMITMENT OF NON-CDBG RESOURCES**

**Grantees must have completed, by July, 2007, all necessary arrangements to assure that those resources are available for commitment to and participation in the project in order to guarantee timely project completion.** Unless the tentative grantee can demonstrate the existence of unusual or extenuating circumstances that would justify an extension of time, the tentative award will be withdrawn and the funds reallocated. MDOC encourages applicants to secure firm commitments from all non-CDBG funding sources prior to submission of their CDBG application.

**No CDBG funds will be released to the grantee until firm commitments are available for all non-CDBG resources to be involved in a project. No CDBG funds, other than for administrative purposes, may be obligated or incurred until this condition is released by MDOC. Reimbursement of any incurred costs is contingent upon funding approval by Congress and conformance with all CDBG project start-up requirements.**

#### **F. PROJECT MONITORING**

During the course of the local CDBG project, MDOC will monitor each grantee through periodic on-site visits and required written progress reports, so that any problems that might occur may be resolved as soon as possible. It is MDOC's goal to assist and support grantees in complying with applicable State and federal requirements and in implementing their project activities.

Grantees will be required to maintain complete financial and project files, and to comply with CDBG program reporting requirements. Representatives of MDOC must be provided reasonable access to all books, accounts, records, reports and files pertaining to CDBG funded activities. Grantees must also provide citizens with reasonable access to records regarding the use of CDBG funds.

#### **G. TIMELY PROJECT COMPLETION**

The grant requested, either by itself or in combination with other previously identified funding sources, must be sufficient to complete the proposed activities within the contract period. The contract period would call for completion of the project by April 2009.

MDOC reserves the right to withdraw a commitment for any CDBG funds which remain unobligated 24 months after the date of the announcement of the tentative grant award.

#### **H. DISPLACEMENT**

The federal Housing and Community Development Act requires each State to minimize the displacement of persons that may occur as a result of activities assisted with CDBG funds. HUD regulations require that if any CDBG activity could result in displacement, the grantee must adopt a plan for minimizing displacement of persons and mitigating any adverse effects of displacement on low and moderate-income persons. CDBG grantees must provide reasonable benefits and relocation assistance to any person involuntarily and permanently displaced as a result of the use of CDBG funds to acquire or substantially rehabilitate property, including

businesses. In addition, HUD requires that grantees provide reasonable benefits to persons displaced as a result of the use of CDBG funds in cases that are not governed by the Uniform Relocation Act.

The Act also requires the MDOC "to adopt a residential anti-displacement and relocation assistance plan." In order to receive CDBG funds, grant recipients must certify that they are following the plan. This certification is included in the Certifications for Application that each applicant must sign and submit with the CDBG application. Montana's Anti-displacement and Relocation Assistance Plan is available upon request from MDOC. Communities planning CDBG projects that may involve displacement of local residents or businesses should contact MDOC for guidance on the federal requirements that will apply.

## **I. ACQUISITION**

Federal requirements specify that local governments proposing the public acquisition of real estate or easements as part of a CDBG funded project must formally notify the effected property owner(s), prepare an appraisal to determine fair market value, have the appraisal reviewed, and make a written offer to purchase based upon an amount determined to be "fair market value". As an alternative, "voluntary" acquisition procedures containing fewer steps can be undertaken if the local government agrees to waive its right of eminent domain in the event negotiations fail to result in a mutually acceptable agreement. Local governments having any questions regarding acquisition of real estate should contact MDOC for further guidance.

## **J. PROGRAM INCOME FROM HOUSING AND NEIGHBORHOOD RENEWAL AND PUBLIC FACILITY PROJECTS**

"Program income" is any income earned by either a recipient or sub-recipient from CDBG supported activities such as repayments of principal and interest from loans for housing rehabilitation and, if authorized by MDOC may be retained at the local level to be used for community development activities eligible under the CDBG Program. An applicant requesting to retain program income from housing projects must submit, with its application, a plan for the ongoing use and financial administration of any program income. MDOC's decision to permit a grantee to retain program income from a housing project will be determined based upon the adequacy of the proposed plan for the use and administration of program income submitted as part of the grant application.

Federal regulations provide that if program income is earned prior to closeout of a project, it must be added to funds committed to the project and used to support CDBG eligible activities or spent on costs budgeted for CDBG funds before the grantee can request an additional drawdown of funds from its CDBG project account. The receipt and expenditure of program income must be recorded as part of the financial transactions of the CDBG Program. Program income funds received before grant closeout must further be treated as additional CDBG funds subject to all applicable requirements governing the use of CDBG funds.

To address federal program income requirements, MDOC has established guidelines for local government grantees that retain and use program income. The guidelines, entitled CDBG Program Income and Revolving Loan Fund Manual, focus on state oversight and local government management and accountability for program income and revolving loans, including submittal of an annual report. The manual is available from MDOC CDBG staff.

## **K. CONTRACT AMENDMENTS**

All grantees must request prior approval of contract amendments such as those involving new activities or alteration of the existing activities or budget or lengthening of the schedule for project implementation, as proposed in the grant application and/or negotiated in the grant contract. Before MDOC makes a determination to allow the amendment, the grantee must clearly demonstrate that the modification is justified and will enhance the overall impact of the original project. MDOC will consider each request to determine whether the modification is substantial enough to necessitate reevaluating the project's original ranking. If warranted MDOC will analyze the proposed modification and its impact on the scores originally assigned the application.

If re-ranked, in order to be approved, the proposed amendment must rank equal to or greater than the lowest numerical score received by a funded project.

MDOC will require that a public hearing with reasonable notice be conducted by the grantee if the proposed amendment is determined to be a substantial change in project activities proposed in the original application for CDBG funds.

Substantial changes in project activities may also obligate the grant recipient to publish legal notices and to conduct additional environmental analysis in order to comply with federal environmental regulations.